ii. Industry task force comprising of all three Oil PSUs *viz* BPC/IOC/HPC to be constituted to finalize the various related modalities.

iii. The Ethanol project in Brazil may be implemented by forming a joint venture with public sector oil marketing companies, *viz*, IOC, BPCL and HPCL (with equal shares) and a local partner engaged in the sugar/ethanol industry.

Based on the above, on industry task force comprising of the three PSU OMCs *i.e.* BPC, IOC & HPC was formed in December, 2006 and a feasibility study for ethanol investment in Brazil was commissioned in January 2007 for which report was finalized in May 2007. The consultant concluded in their feasibility report that Ethanol investments in Brazil are feasible, attractive, and highly strategic for Indian Oil Industry. The major findings of the Feasibility Study *interalia* are as under:

i. Brazil is highly suited for ethanol investments due to its leadership in ethanol production driven by structural advantages like ideal weather, soil & water conditions for sugarcane growing, abundant availability of arable land, improved productivity & technology in ethanol/sugar industry and also the high domestic demand for fuel ethanol.

ii. The recommended investment strategy comprising of a mix of Greenfield & Acquisition investments delivers most attractive financial pay offs.

The Oil Industry team subsequently carried out a Partner Search Study in November 2007 to identify suitable local partners in Brazil. Following the discussions held with top partnership candidates as identified in the study, broad MoUs were signed.

Indian Oil Industry is presently considering the possibility of acquiring a Sugar mill and setting up a Greenfield distillery along with a Brazilian partner for Ethanol production in Brazil. This is subject to necessary approvals.

Additionally an MoU with Brazil's National Company, Petroleo Brasileiro S.A-Petrobras was also signed by BPCL on 30.8.2007 at the HQ of M/s. Petrobras in Rio-de-Janeiro. Under the objects of MoU both the parties endeavor jointly undertake studies in matters related to-:

The use and trading of fuel Ethanol globally.

Cooperation in areas of ethanol plant investments in Brazil in order to meet global demand of fuel ethanol.

Extending cooperation to biodiesel production and manufacturing process as well as R&D technology, including transfer of technology for ethanol.

Conduct joint studies on efficient means of transportation and joint investment on Logistics Infrastructure for ethanol in Brazil.

"Under-recovery" and "Profit-loss Account"

1978. SHRI PRASANTA CHATTERJEE:
SHRI TAPAN KUMAR SEN:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the difference between "under-recovery" and loss indicated in "Profit and Loss" account;

(b) whether "under-recovery" has got any link with actual production cost of petroleum products; and

(c) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) to (c) The concept of "Under-Recovery" and "Loss" was examined by "Committee on Pricing and Taxation of Petroleum Products"—Chaired by Dr. C. Rangarajan, Chairman, PM's Economic Advisory Council. The Committee observed that:

> "Refining of crude oil is a process industry where crude oil constitutes around 90% of the total cost. Since value added is relatively small, determination of individual product-wise prices becomes problematic. The oil marketing companies (OMCs) are currently sourcing their products from the refineries on import parity basis which then becomes their cost price. The difference between the cost price and the realized price represents the under-recoveries of the OMCs.
>
> The under-recoveries as computed above are different from the actual profits and losses of the oil companies as per their published results. The latter take into account other income streams like dividend income, pipeline income, inventory changes, profits from freely priced products and refining margins in the case of integrated companies."

Based on the recommendations of Rangarajan Committee, the Government has changed the pricing of petrol and diesel from Import Parity to Trade Parity basis.

Spending of foreign exchange on import of oil

1979. SHRI M.V. MYSURA REDDY: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether there is a gap in the demand and supply of oil in the country;

(b) if so, the reasons therefor;

(c) the quantum of oil imported by Government during the last three years; and

(d) the details of foreign exchange spent to import oil during this period?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) and (b) Yes. Sir. The gap in demand and supply of oil is due to the increase in our domestic refining capacity and consumption whereas the domestic production of crude oil has remained almost stagnant.

(c) and (d) The details of crude oil imported by the oil companies during the last three years are as under:

Year	Quantity (MMT)*	Value US$(Million)
2005-06	99.4	38776
2006-07	111.5	48389
2007-08 (upto January' 08)	101.3	54431

*Million Metric Tonne.